

20

THE POUND IN YOUR POCKET

Nobody knows what Harold Wilson's doing now, and nobody will know until he's done it. Well, I'd rather have him than Ted Heath. I'd sooner have Labour than the Tories, but I don't like either of them really. None of them seem to me to be doing as much as they could for the real benefit of the people. We want a party of truth, whether it's Communist, Catholic, Tory or anything.

John Lennon, 19 May 1967

Harold Wilson had always prided himself on his good relationship with the press. From the beginning, he liked to call journalists by their Christian names, regularly saw them for briefings and general chit-chat, and even had them round to Downing Street for drinks and a quiet word. He knew how important the media had been in building up his image in 1963 and 1964, and he keenly studied the newspapers for evidence of his changing reputation. At night he would take the first editions of the next day's papers up to bed; then, over the breakfast table, he would read the later editions of the same newspapers. No Prime Minister since the war had a better idea of what each paper and each columnist could be expected to say about a particular issue.¹

The corollary of this was that when Wilson's relationship with the press began to sour, he took it very hard. By the middle of 1967, hurt by the gathering tide of criticism, he was developing something of a persecution complex and saw some correspondents, notably Nora Beloff of the *Observer*, as personal enemies bent on his destruction. Barbara Castle noted that in May 1967 Wilson was 'writhing with annoyance at *The Times*', which had drawn attention to the opposition of a few dozen backbenchers to his Common Market plans. When he threatened to cut off *The Times*' correspondents, Castle was horrified. 'Frankly, I think Harold is getting quite pathological about the press,' she recorded.

I think, too, that we get a pretty fair press as a Government – and pointed out how well the press had treated me departmentally. Other members of the Cabinet tried to persuade him that the line he proposed would be unwise, but he kept brooding over the fact that one commentator had called him a con man. Pressed for more details as to how he would operate his embargo, he switched to another tack and spat out that it was time some members of the Cabinet stopped talking to our enemies like Nora Beloff (again!) and feeding them with material designed to destroy him.²

As Wilson's fortunes declined, so he became even more concerned about his treatment in the newspapers. Time and again he spent Cabinet meetings complaining that his ministers were leaking stories 'in the deliberate pursuit of personal political ambition'. His colleagues, however, rarely took any notice; indeed, most of them thought that he set far too much store by the newspapers. As Castle put it, his frequent harangues left most of them 'holed to tears'.³

Wilson's reputation had begun to slide after the crisis of July 1966, but its descent gathered speed in the course of the following year. In the spring he became bogged down in the so-called D-Notice Affair, a bizarrely trivial row with the *Daily Express*, the civil service and the world in general about the media's attitude to national security. Wilson thought that the *Express* had broken the 'Defence Notice' agreement, under which newspapers would kill stories that were deemed detrimental to national security. Why he became so caught up in this ridiculous business is something of a mystery: one biographer suggests that it was a case of displacement, 'a preoccupation with something unimportant because of the weight of real burdens'.⁴ 'He is going off his rocker,' Barbara Castle gloomily remarked to Crossman. 'Think of the time he has wasted on this stupid issue,' the latter replied, 'instead of concentrating on key things like the economic situation. The Government is a total failure.'⁵

Other observers were equally harsh, and in the aftermath of the affair the relationship between Wilson and the newspapers became spectacularly bad. The newspaper magnate Cecil King, writing on 25 June, thought that the row had 'brought down on him the condemnation of all the newspapers and has made him look a fool... The result is the worst press any PM has had in my day'. As he pointed out, 'to unite the entire British press corps behind the *Express* is quite a feat... and press contempt for Wilson is not likely to evaporate'.⁶

The Downing Street celebrations of Wilson's thousandth day in office, in July 1967, were distinctly less exuberant than the tributes that had greeted his hundredth. Rhodesia, Vietnam and the saga of the Common Market made sorry reading, but perhaps even more depressing was the fact that, as always, the government's prospects for recovery rested on the economy. The previous month Jim Callaghan had felt sufficiently confident to announce that 'a period of controlled growth and expansion' was at hand.⁷ In fact, expansion was never really on the agenda. The Treasury's original estimates for 1967 had predicted a mild surplus in the balance of payments, but by the early summer, partly because of the disruption caused by the Arab-Israeli Six-Day War, they were hastily revising their forecasts. In August they predicted a heavy deficit for 1967 of over £300 million, with worse to come in 1968. It appeared that the harsh measures of July 1966 had not worked as well as Wilson and Callaghan had hoped, and there seemed little prospect of new loans to fight off fresh attacks on sterling.⁸ In the meantime unemployment had almost doubled in twelve months, and the jobless total for July 1967 was the highest summer figure since the war. It was not a pretty picture.⁹

In public Wilson and Callaghan were adamant that devaluing the pound to try to break out of the cycle would be a disaster. In official circles, however, opinion was shifting. By the middle of 1967 the champions of devaluation included not only influential ministers like Jenkins, Crosland and Crossman, but the entire staff of the DEA, Wilson's economic advisers Thomas Balogh and Nicky Kaldor, Callaghan's economic adviser Robert Neild and his senior civil servant Sir William Armstrong. The Chancellor's future son-in-law, Peter Jay, was a passionate advocate of devaluation and, as financial editor of *The Times* from April 1967, frequently used its columns to advance his case.¹⁰ Even Wilson himself seemed to be flirting with the idea, at least in private. At dinner with his chief couriers in July 1967, he suddenly declared that it was time to 'talk about the subject we all know is there though we never talk about it: devaluation. I should like to hear your views.' After a 'stunned silence' Balogh and Castle put the case in favour of floating the pound. Wilson nodded, and replied calmly:

I don't rule out devaluation... But I don't think we should devalue from weakness — nor from strength. There was a point earlier this year when people wanted us to do it and I considered it. But the trouble is that, once you have done it deliberately and you float, people say to themselves that there is no reason why the pound should not fall further still. When I do

it, I want to do it for political not economic reasons... This must be a political issue when it comes: we devalue to defend our independence.

The Six-Day War, he mused, might have been an opportunity: he could have 'gone on TV' and blamed 'these Arabs, Nasser and all that'. Or he could have blamed Johnson and the escalation of the Vietnam War. Instead, as his listeners knew, he had done nothing.¹¹

If Wilson had not been prepared to devalue in 1964 or 1966, when the pressure had been at its greatest, he was hardly likely to do so in the early months of 1967, when he was confident of recovery. Many Treasury officials, as well as Callaghan, still believed that the inflation and austerity measures that would accompany devaluation, not to mention its unpredictable effect on the world economy, would be much more damaging than the current policy.¹² The problem was that as summer turned to autumn the economic picture was as bleak as ever, and no alternative strategy presented itself. Wilson's plan was therefore that they could somehow muddle through, administering the occasional dose of deflation, until 1970 or 1971. If they managed to build up a small balance of payments surplus, then they might be able to relax the brakes in the run-up to the next election, cutting unemployment and reviving the spirit of consumer confidence that had so often benefited his Conservative predecessors. Three years earlier he had decreed 'the deflationist stop-go cycle'; now he was pinning his hopes on it.¹³

On 8 September, addressing a crowd of supporters at Newport, Wilson acknowledged that the last year had been much tougher than many people had been used to, but promised that 'a turning point' was in sight:

For three years, the Government, industry and the people have shown their determination to pay our way. We have pursued this objective ruthlessly, regardless of political popularity. We have had to ask for efforts and for sacrifices — for hardships, even, and we have not yet seen the end of the hardship which may be necessary, although the measures which made it necessary are bringing us through.¹⁴

Just a few weeks before, he had taken personal command of the ailing DEA in the hope of exercising a stronger influence on economic affairs. His protégé Peter Shore was promoted to the role of Secretary of State at the DEA, but his Cabinet colleagues knew that Shore was basically a front man. Crossman told the Prime Minister: 'He's despised by his fellow members of

Cabinet, he's hopeless in the House of Commons and he can't put your policy to the TUC and the CBI.¹⁵ Wilson, however, rather fancied the idea of using Shore to run the department himself. 'If I can't run the economy well through DEA I'm no good', he told Crossman. 'I was trained for this job and I've taken the powers to run the economy.'¹⁶

The events of the next few weeks made a mockery of Wilson's optimism. On 18 September, after a series of local inter-ecine disputes, thousands of dockers walked out, and the vital ports of Liverpool, Manchester, Hull and eventually London fell silent. Goods for export piled up uselessly on the quaysides, and when the latest trade figures were published a few weeks later they showed a severe deficit: £52 million for September, and then a record £107 million for October. Taken in conjunction with the news of the government's bad beatings in Cambridge and West Walthamstow, they inspired little confidence in Wilson's sense of direction.¹⁷ What was worse, if speculators started selling sterling, then the Bank of England could not resist for long. Its reserves had already been taking the strain of speculation for twelve months, and the prospects for more loans were uninspiring since Britain was already struggling to pay off its outstanding debts to the International Monetary Fund. Callaghan increased bank rate by 0.5 per cent, but it did no good. By the end of October investors were rushing to sell sterling, and as the following month opened the pound had fallen to its lowest level for fifteen years.¹⁸

With sterling under intense pressure, any sign of weakness or uncertainty on the part of the government might conceivably be the trigger for the final avalanche. It was therefore unfortunate that the latest financial crisis coincided with a fresh outbreak of misbehaviour in the Foreign Office, where George Brown was facing intense press criticism. Cecil King, whose patience with Wilson's government appeared finally to have run out, had already ordered the *Mirror* to prepare a campaign against Wilson's ministers, and the paper began by picking on the Foreign Secretary.¹⁹

Brown's run of bad behaviour in the autumn of 1967 was spectacular even by his own standards. On 22 September he had been photographed at a party on board the *Queen Mary*, then moored in New York, at which he had been doing a dance called the 'frug' (a sort of lewd, stationary waddle) with a buxom American public relations consultant. This was not in itself grounds for controversy, but one particular photograph seemed to show the diminutive Brown peering down the front of his partner's low-cut gown. The *Daily Express* promptly ran the picture on its front page, and Brown was

so upset that he offered Wilson his resignation, which, as usual, was turned down.

The sequel took place ten days later at the Labour Party conference in Scarborough, where photographers had been instructed to get a similar picture of Brown disgracing himself on the dance floor. As soon as the Foreign Secretary appeared at the party agents' ball with his wife, he found himself bombarded by the flashes of camera bulbs, and after a short and undignified scuffle he withdrew to the hotel, angrily protesting: 'They would not let me dance with my wife. There ought to be some limit. It ought to be stopped.'²⁰ The press were delighted, of course, but Brown's colleagues were not impressed. Wilson commented that 'George was being more crazy than usual', while Castle lamented his 'unseemly brawl with the press, shouting at them about how he was being persecuted by photographers and saying, "This is on the record." His poor wife Sophie had stood on the stairs wringing her hands and saying over and over again, "He isn't drunk."²¹

Brown's resentment at the press now began to boil over. On 30 October, at a Foreign Office reception, he spotted Cecil King's son Michael and proceeded to deliver a barrage of drunken insults about his father, culminating in a rant 'about his being Foreign Secretary, being in charge, no one was going to push him around'.²² Later that night, Harold Wilson had an unexpected telephone call from Brown. He had just had a blazing row with Sophie, he said emotionally; he could not carry on in office any longer, and wanted to resign. Wilson, in a characteristic display of the personal kindness for which he was renowned, suggested that Brown should come over to talk 'as a friend', and the latter agreed. But while Wilson was waiting for his errant Foreign Secretary to arrive he had an unanticipated visitor: Sophie Brown. As he later recorded, she said 'that George was on his way to see me, walking, that I must not take any notice of his desire to resign, that they had just had a family tiff and that these things do happen in every family'. Sophie then left and Brown himself arrived, sober again and immensely miserable.

To Wilson's astonishment and no doubt mild embarrassment, his old rival now embarked upon a painfully frank monologue about his family life, his marriage and his general unhappiness. 'For years he had had this problem with Sophie', Wilson noted, 'that basically Sophie did not like this life, had an inferiority complex, but that secondly Sophie was highly suspicious about his relations with [his secretary]'. Wilson listened quietly and made reassuring noises at the right moments, but Brown was in full flow and

impossible to stop. The strain was too much, he said; his married life was a disaster, the press were always on his back, he was not sleeping and he must resign. I went over the ground very fully and sympathetically; Wilson's account continues, 'mainly asking questions about Sophie, about whether their family could help, or any of Sophie's friends, or Mary [Wilson].' Brown answered in the negative: he wanted to leave home, but it was impossible to walk out while he was still in office because of the suffocating attention of the press. So he was determined to resign. Wilson again urged him 'not to go on this', and finally persuaded Brown to go home and try to get some sleep. The next morning Brown sent him a note thanking him for his sympathy but repeating his intention to leave. When they met on the front bench that afternoon Wilson quietly asked how things were. 'Exactly the same,' Brown replied.²³

That night Brown was due to speak at a dinner at the Savoy given by Lord Thomson of Fleet, the Canadian owner of *The Times* and the *Sunday Times*, which had criticised his performance at both the DEA and the Foreign Office. The other guests included fifty American businessmen and an impressive selection of the great and the good: the founder of the BBC, Lord Reith; the philanthropist Paul Getty; the government's scientific adviser, Sir Solly Zuckerman; the chairman of the British Motor Corporation, Sir Donald Stokes; and an assortment of former ambassadors, field marshals and Foreign Office grandees. A more distinguished audience could hardly be imagined, and in his current mood Brown would have been well advised to skip the event entirely. Instead, he sat brooding at the top table while Thomson began his laboured introduction with a joke that if Brown wanted to live until he was a hundred, he had been advised by his doctor to give up smoking, drinking and women. He might not live to be a hundred, the joke ran, but in the circumstances it would certainly feel like he had. 'Perhaps Lord Thomson deserved to be punished for telling such a poor joke,' writes Brown's biographer, 'but he was not to realise that retribution would arrive so swiftly.'²⁴

I think you made the most of your opportunity,' Brown began, glaring with undisguised hatred at the man who had just introduced him. 'The only thing I will say in response is that you are the only man I have ever known who actually cheated me.' Thomson, desperately hoping this was another joke, tried feebly to interject. But Brown was having none of it:

I am not telling a joke. I am being absolutely serious. You actually once gave me your bond and broke it. My dear Roy, I think everybody here

who has heard the jokes you have presumed to tell about me should know you broke your word. . . .

I understand the *Sunday Times* is somehow in your control. If I may say so, my dear Roy, we would be much happier if you would exercise a little control. . . .

Now I don't really mind and I don't think any of us in the government really mind. All I tell you is that you are doing — your papers are doing — a very great disservice to this country. . . . I don't want any misunderstanding. I am your guest. But I must make this quite clear. I think you are overdoing it, and I think it is about time you stopped. . . . Some of us are concerned about the country. Some of us think it is about time we stopped giving the Russians a head start on what we are doing, and — my dear Roy — I ask you and the *Sunday Times* to take this into account and for God's sake, stop.

As soon as he had finished, Brown was besieged by reporters asking for clarification of his thoughts about Thomson's alleged perfidy. The American guests watched in disbelief as Brown, clutching a large glass of white wine, proceeded to quarrel, loudly and furiously, with the assembled journalists for a full quarter of an hour. Above the general hubbub, bizarre snippets of Brown's rant floated across the room, apparently at random:

Will you just shut up for a second! I am answering a bloody question. Can I just answer one question before I get another? My speech runs to 64 pages — just print that. . . . Will you shut up? I broke no bloody rules at all. If you break them, I will know where I am, *d'accord?* You are free to break any rules. If you break them, I am perfectly free to break them too.

One of the Foreign Secretary's officials began pulling at Brown's arm to try to drag him away, but the aide was impatiently brushed aside. Brown announced that he had decided to sever all relations with the press forever, and ordered the journalists to put down their pencils. When a reporter from the *Express* failed to do so, Brown snatched it angrily from his hand. The *Express* man said that Brown would be the only loser from all this: 'If you do not speak to the Press, you do not speak to the country.' Brown seized his hand and held it tight. 'Quiet,' he shouted. 'Let's hear this. You said it — the man from the *Express* has said it. Now let them all hear it. If I do

not talk to the Press — *what?* The reporter repeated his remark. Brown nodded. 'That is it. The man from the *Express* has said it. So be it.'²⁵

Disastrously, Brown's remarks had been recorded on tape, and the next day the story made every radio and television news bulletin. *The Times* called for him to resign or be sacked, describing his position as 'insupportable' and his conduct as 'too erratic, too bizarre, too damaging and too consistently offensive.'²⁶ While reading the morning papers, Crossman switched on the eight o'clock news and

heard the recording of George Brown's astonishing scene at the Savoy, where he really misbehaved himself in public. This is intolerable, I felt, and I took up the phone and rang up Harold and told him what had happened. He'd read something in the press but he hadn't heard the radio and he said quickly, 'Don't say any more. I'll act on this. This is it but don't say a damn thing to anybody.' And he rang off.²⁷

However, Wilson did not sack Brown. One reason was that it would look as though he was giving in to the newspapers' attacks on the Foreign Secretary. But, perhaps more importantly, Wilson also knew that to dismiss Brown after their emotional conversation two nights before would be a cruel betrayal. A more ruthless politician might have struck, but Wilson was never a cold-blooded butcher. Instead, while the press pushed for Brown's resignation, the Prime Minister did nothing. 'He's got to go, but not straightaway,' he told Crossman on 3 November. 'Nobody realizes what an awful time I've had with him.' Still, he wanted Crossman to prepare the ground, just in case. 'I want you to do something,' he added. 'See Jimmy Margach [of the *Sunday Times*, ironically] and tell him that the Cabinet is against George.'²⁸

In the end, Brown was saved by the economic crisis that was soon to engulf the government. The delicate position of sterling meant that Wilson was reluctant to take any action that might upset the markets, and in the turmoil of the following month Brown's behaviour at the Savoy was temporarily forgotten. This gave him the chance to perpetrate one further outrage a few days later, which some connoisseurs thought was among his best; indeed, his biographer calls it 'one of the most monumental and embarrassing scenes which any of Brown's associates can remember.'²⁹

The debacle in question was a reception for President Sunay of Turkey on

7 November, which had been organised by Bob Mellish, the Minister of Works and a former docker. Brown rolled up having already been to a party at the Soviet Embassy to commemorate the fiftieth anniversary of the October Revolution, and proceeded to down three large gin and tonics. From this point onwards, as Mellish later put it, 'he began to behave like an absolute shit.'³⁰ Brown opened his speech of welcome by emotionally congratulating the Turkish President on being married to 'the most beautiful woman in the world'. Unfortunately, as all the assembled guests could see, Madame Sunay was singularly unattractive, and an embarrassed silence descended over the gathering. If Brown's officials had provided him with a text, he never even glanced at it; instead, he gazed around the room, caught sight of an appalled Mellish, and embarked on a violent harangue against the Catholic Church, to which Mellish belonged. This somehow led him into a discussion of the dispute in the docks between the Transport and General Workers' Union and the National Amalgamated Stevedores and Dockers' Union. The rather tenuous link was that the latter had once been a Catholic union, and Brown therefore thought that Mellish should do something about it. This whole impassioned outburst was translated to the bemused Turkish President, who was, of course, neither a Catholic nor a connoisseur of dockland politics. Eventually a troupe of dancers from the Royal Ballet School was summoned to provide alternative entertainment. Staring at the dancers in angry disbelief, Brown turned to the stunned Sunay and said loudly: 'You don't want to listen to this bullshit. Let's go and have a drink.'³¹

In other circumstances this latest misdeemeanour might have cost Brown his job, but Wilson and his senior ministers were preoccupied by more serious problems. The first days of November brought no respite from the intense pressure on the pound: investors were still rushing to sell, and the Bank of England's reserves were running dangerously low. On the afternoon of 2 November the Chancellor was handed a 'top secret' packet from Sir Alec Cairncross, the head of the Economic Section. Cairncross had been one of the strongest opponents of devaluation, so, as Callaghan later wrote,

it had a profound effect on me when I opened the packet and found it contained a personal and pessimistic typed memorandum on the outlook, together with a covering, handwritten letter from him for my eyes alone. In this, he said that, having started with the conviction that I was right to try as hard as possible to solve our problems without devaluing,

he had after long consideration changed his mind and was now a 'convert to devaluation'.

'If it cannot be avoided,' Cairncross added, 'the sooner it is over and done with, the better.' Callaghan was deeply shaken: he folded the letter and put it in his breast pocket, where, he admitted, 'it stayed, burning a hole, throughout the rest of the day and long into the night'.³²

The two men met privately the following morning, and Cairncross repeated his gloomy tidings. 'The trade figures had been much worse than they had hoped, and with Britain already indebted to the tune of more than £1500 million, there was no chance of further loans to stave off the pressure. Cairncross knew that devaluation would mean the complete repudiation of government policy and almost certainly the end of Callaghan's command of the Treasury. He asked if Callaghan was managing to sleep, and the Chancellor replied that he was. Now that the end had come, he was facing it with resigned equanimity. 'He gave no sign', wrote Cairncross, 'of worry or perturbation. His demeanour was that of a man who has thought it through, come to a firm conclusion, and is incapable of being ruffled'.³³

The next morning, Saturday, 4 November, Callaghan walked from 11 Downing Street through the little passage that led to the Prime Minister's rooms next door, to tell Wilson the bad news:

The two of us sat alone in the quiet Cabinet Room looking out onto Horseguards Parade. Everything was peaceful. People were strolling through St James's Park on their Saturday pursuits. No one out there had any idea of the welter of emotions I felt. My mind went back to a similar Saturday morning three years before, when the three of us had held our first discussion and decided against devaluation. I felt that the three years of struggle had been of no avail.

Harold sensed my feelings and was kindness itself. As soon as I had told him of my change of heart, I felt relief to have shared my anxieties. He was encouraging and I came away reinforced in my decision and ready to set in motion the necessary action. It is a common experience that whatever doubts and terrors assail us in making up our minds, once a decision is reached a calm descends.³⁴

But this was not the end of the affair. Devaluation would take at least a week to prepare, and in the meantime both men still hoped that something

would turn up to save them. Over the next few days the Chancellor strove desperately to drum up a loan. At a meeting of the Cabinet's Steering Committee on Economic Policy, he even told his fellow ministers that devaluation would be 'a disaster . . . a political catastrophe as well as an economic one'. Since he already knew the likely outcome, he could hardly have enjoyed pronouncing these words.³⁵

Wilson, meanwhile, had come up with one of his characteristic schemes to put off the day of reckoning. His plan was to fly to Washington, under the pretext of discussing the war in Vietnam, and give President Johnson an ultimatum that if the Americans did not come up with a massive loan, then Britain would be forced not only to devalue but to pull her troops out of West Germany, Singapore and her other overseas bases. Cold water was poured on this rather fanciful scheme by, of all people, George Brown, who doubted whether anybody would believe the Vietnam story or whether the US Congress would approve financial assistance obtained by such dubious means. Wilson's officials then devised an even wilder scheme involving the Prime Minister and his wife flying to see their son Robin, then studying in Boston, on 'family business', and popping in to blackmail Johnson on the way. This, too, was abandoned. On 9 November they finally agreed to send a telegram to Washington floating the loan idea, but nobody held out much hope of success.³⁶

In the days that followed there was nothing to do but wait. On the evening of Saturday, 11 November, Callaghan and Brown went round to 10 Downing Street to discuss the situation. Wilson was still for putting off devaluation at all costs. Callaghan hoped it might somehow be postponed until the next budget; Brown was in favour, but thought that an immediate surrender would smack of haste and panic. At this point Wilson handed round some drinks, the atmosphere became less formal, and, as Pimlott puts it, the three rivals turned, 'with the camaraderie of old prize-fighters', to political gossip. Brown, who was putting away brandy as though the world's supply were running out and beginning to stumble over his words, took the opportunity to swear his undying loyalty to Wilson, but warned him that the press did not believe a word he said any more. Understandably rather taken aback by this, Wilson managed to change the subject to the possibility of setting up an Inner Cabinet of senior figures, and the three men then spent a happy hour or so trading their colleagues. Wilson was interested to see the extent of 'Jim's venom' when Roy Jenkins's name was mentioned; evidently the Chancellor saw Jenkins as his main rival for the succession. Brown, meanwhile, was

becoming increasingly overexcited as the drinks continued to flow, and unbelievable as it may seem, one of Wilson's officials entered with a message that Thomas Balogh was working late nearby 'and would we keep our voices down'. Later, added Wilson, 'I heard that Thomas had asked who was that woman in there. The woman was in fact George screaming.'

As the night wore on and the drinks continued to flow, the conversation became increasingly unguarded. Brown drunkenly repeated to Wilson that 'he was not a candidate for the succession'. The Prime Minister replied rather defensively that at the moment there was no vacancy. 'Quite,' put in Callaghan, adding rather disingenuously that for his part 'he had reached the limit of his ambitions — an elementary school boy who had become Chancellor'. Wilson, swilling back his whisky, liked that idea. 'Wasn't it interesting', he asked them, 'that the Inner Inner Cabinet consisted of three ex-elementary school boys, the first time in British history?' Brown's mind, however, was still on the succession question, as Wilson recorded:

They then started talking about what would happen if I got under a bus. I said that I had no intention of so doing and that I thought this was very morbid. George was too excited to be put off. . . . [and] asked Jim if he would stand if I did get under a bus. Jim said yes. And George said who did he think would stand against him, because George would not. Jim said, Roy. George was anxious to know whether Jim thought he could beat Roy and sharply reminded Jim that if he didn't this would be Jim's second defeat, and . . . then he couldn't run again. I called them to order, wanting to sum up the meeting, and protesting my health and virility.

At last Callaghan got to his feet for the short walk home to bed. 'As Jim was going,' Wilson noted, 'George asked if he could stay behind and speak to me.' When the door had closed behind the retreating Chancellor, Brown turned to Wilson and said thickly: 'Do not trust Jim, he is after your job.' Then Brown, too, was gone. 'I had learnt a great deal about human nature' was Wilson's verdict on an extraordinary evening.³⁷

On the following Monday Wilson and Callaghan anxiously waited for the reply from Washington. 'Well, we are for it,' Callaghan privately told Crossman, 'unless we get the right answers this morning. This time the bankers' terms will be unacceptable.'³⁸ The answer came that evening, while the Prime Minister and his Chancellor were preparing for the Lord Mayor's banquet at the Guildhall. It was negative.

Just after eleven that night, Callaghan noted, they met again, still in their evening finery, and 'decided finally'. Devaluation was planned for 18 November, with \$2.40 the probable rate. The next day Callaghan and his officials worked out a tentative deflationary package to accompany the announcement, and he then briefed a small group of senior ministers. Denis Healey, whose Ministry of Defence would bear the brunt of the cuts, was absolutely furious. Callaghan, he said, had 'misdirected' the economy for three years, and he wondered 'why anyone should trust him or believe his forecasts after what he has dragged the party through.'³⁹

On 16 November the Cabinet assembled as normal, but before they could start Wilson quietly said that the Chancellor had an important statement to make:

We all stiffened and Jim began heavily. 'I have decided that the pound must be devalued. If Cabinet agrees, the necessary machinery will be set in motion and devaluation will be announced on Saturday. This is the unhappiest day of my life.' We all sat very still.

He then elaborated on the recent run on the pound. We could arrange another massive loan, but the thought of going through the whole process again was sickening. He and the PM therefore recommended 14.3 percent devaluation. This was the only alternative to further deflation, which would be intolerable. . . . In conclusion he said, 'This is the most agonizing reappraisal I have ever had to do and I will not pretend that it is anything but a failure of our policies.'⁴⁰

Wilson, as usual, tried to make the best of things. It was 'a setback', he admitted, but people in the Labour Party would at least feel that 'we have broken free'. He reminded ministers that their discussion was top secret, and to avoid alarming the markets they had to make sure that their meeting did not drag on longer than usual. Callaghan therefore began reading aloud the details of his cuts package. 'When he'd finished I blew up,' Crossman recalled. 'I said I'd never seen business done in such a deplorable way. Roy Jenkins backed me up.' Wilson tartly pointed out that the last time the pound had been devalued, in 1949, the Cabinet had not even been forewarned: Crossman should be grateful to have been given any notice at all.⁴¹

Although the decision had already been taken, there would be a delay of three days before it was formally announced on Saturday evening. As Roy Jenkins put it, 'this stately delay had a disastrous effect.'⁴² During the

Cabinet meeting word reached Callaghan that a Labour backbencher, Robert Sheldon, was planning to ask the Chancellor about reports that the government was negotiating a new deal with the central banks. Unwisely, Callaghan was sent to the Commons to waffle through an answer without telling a direct lie about the forthcoming devaluation. In the event he muddled through for about ten minutes, during which he never said that devaluation was on the cards, but never denied it either. It was a disaster. 'We're going to lose a lot of money through Jim's answer yesterday — the whole operation is going as badly as it could,' Crossman angrily told Wilson the following morning.⁴³ Guessing that a change was on the way, the speculators were rushing to sell their sterling holdings at the higher value of \$2.80, and in just two days the foreign exchange reserves haemorrhaged a staggering \$1.5 billion. Not for nothing was Sheldon's enquiry later called 'the most expensive question in British parliamentary history'.⁴⁴

The announcement that Britain was devaluing the pound to \$2.40 was made just after nine on the evening of Saturday, 18 November, its timing carefully planned in order to cheat the following day's newspapers.⁴⁵ The accompanying cuts programme raised bank rate from 6.5 to 8 per cent, imposed hire-purchase restrictions and higher Corporation Tax, and slashed about £400 million in the expected rate of growth of public spending. However savage these cuts might appear, many observers thought them inadequate: if devaluation was to work properly, it needed to be accompanied by more severe deflation to free resources for the production of exports.⁴⁶

Perhaps the only way that devaluation could have been averted in the life of the Wilson government is if, at the very beginning, Callaghan had imposed a really stern bout of deflation, with much higher tax increases and more severe spending cuts. To critics like Edmund Dell, Callaghan's failure was that he never had the guts to implement the tough measures necessary to save the pound.⁴⁷ However, this is a very harsh and slightly unrealistic verdict. As Richard Holt points out, although Callaghan was 'just not tough enough... it would have been surprising if the Chancellor had been tougher, and it is surely unreasonable to blame a Labour Chancellor of the 1960s for thinking like a Labour politician of the 1960s'.⁴⁸ Callaghan's tragedy was that his political identity, and the social commitments of the government of which he was a part, made it impossible for him to contemplate the kind of brutal deflation that might have averted devaluation. Indeed, even a Conservative government of the era would probably have baulked at that kind of austerity, and certainly the likes of Macmillan and Maudling would

have considered it unthinkable. Nevertheless, few observers thought that this mitigated Callaghan's failure at the Treasury, and even he looked back on it as a pretty inglorious episode. Many press commentators remarked that he had clearly been out of his depth, and the verdict of history has not, in general, been any kinder.⁴⁹

Callaghan handed in his resignation on the day that devaluation was announced, although Wilson persuaded him to stay on at the Treasury for a few days before moving to another senior post in the Cabinet.⁵⁰ This meant that it was Callaghan, battered and bruised, who presented the deflationary package to the Commons on Monday, 20 November and wound up the subsequent debate two days later. In the circumstances, he did so well that his comeback was already under way within days of his greatest failure. Crossman, never a great admirer, still admitted that the initial statement was 'one of the best parliamentary performances I've ever heard'.⁵¹ And in the debate Callaghan was even better. Wilson had given an aggressive, partisan speech the day before, but the outgoing Chancellor adopted a much more successful approach:

He gave us an informal chat followed by a kind of appeal from a retiring Cincinnatus. It was a deliberate consensus speech, modelled very much on the style of Anthony Eden, and he managed to make everyone in the House feel he was being appealed to individually. Up till then it had been a slap-bang party political debate. Jim put party aside and spoke as though he was above the dust of battle. He showed himself superior to the rough-and-tumble of the party knockabout of the previous two days. I had wanted Harold to do this but in his speech he had remained the party politician. Jim had then seized his opportunity.⁵²

The press, which guessed that this was to be Callaghan's swansong, was full of praise. For *The Times*, 'there was something in the sombreness and gravity of his manner that profoundly impressed the House'; while the *People* called him 'the Tories' favourite Socialist'.⁵³ Barbara Castle could barely bring herself to record that he 'had the Tories almost eating out of his hand and our people gave him a great ovation too'. She thought that 'the more sophisticated of us could see his ploy standing out as obvious as the Albert Memorial'. Thomas Balogh told her that he had never seen 'the knife put more deliberately into a leader's back', and he 'almost spat out the word "Casca"'.⁵⁴

For all his misery at the Treasury, Callaghan had consistently been the government's most popular minister, and he managed to emerge from the devaluation crisis with his popularity intact.⁵⁵ His reputation was strengthened by the contrast with Wilson, whom Crossman had found strangely 'full of optimism because of the wonderful response he'd had from all over the world to his courageous decision'.⁵⁶ But when Crossman saw the notes for Wilson's planned broadcast to the nation, he thought them 'ghastly—all about the wicked speculators who had been disloyal and made life intolerable and have driven us off the pound'. He suggested that Wilson should just 'admit the defeat' and then go on to talk about the future. 'Dick, you like admitting defeats,' Wilson replied, 'but I never do that kind of thing.'⁵⁷

Wilson's broadcast had been scheduled for Sunday, 19 November at six, rather than late on Saturday night, because his advisers were confident that he would make a good impression and wanted to make sure that as many people were watching as possible.⁵⁸ Crossman and three other ministers were at Windsor Castle for a Privy Council meeting with the Queen, and they arranged to hold it early so they could watch the speech:

We got our business done in record time and she immediately said to me, 'Well, we must get along the passage to the television room,' and we practically ran along that great corridor which George III constructed and which the royal children bicycle up and down. Then suddenly she turned sharp left into a little sitting-room and there by a great big coal-fire and a great big television-set we watched Harold performing on the screen. She sat us on her sofa and summoned me to sit beside her while the others got down into comfortable chairs and it wasn't until some minutes after we had started watching that I realized that she and I were in some difficulty. What on earth were we to say to each other when the broadcast finished?⁵⁹

On the screen, watched not only by Crossman and the Queen but also by millions of his fellow-countrymen, Wilson was explaining precisely what devaluation would mean for the nation. Even after a few sentences it was clear that he had no intention of admitting defeat, as his friend had urged. As so often, he was falling back on Churchillian rhetoric; but as his biographer points out, while it might have been appropriate to conjure up the spirit of Dunkirk, 'Wilson seemed to be announcing El Alamein, or Trafalgar'. For three years he had been arguing that devaluation would be a

national defeat, 'the economic equivalent of a plague or a war'; now that it had finally taken place, he was expected to react with the gravity and solemnity the situation demanded.⁶⁰ Instead, he appeared to be in a 'strange mood of post-battle elation', as he announced:

Our decision to devalue attacks our problem at the root and that is why the international monetary community have rallied round with a display of formidable strength to back the operation . . .

Tonight we must face the new situation. First, what this means. From now the pound abroad is worth 14 per cent or so less in terms of other currencies. That does not mean, of course, that the pound here in Britain, in your pocket or purse or in your bank, has been devalued. What it does mean is that we shall now be able to sell more goods abroad on a competitive basis. This is a tremendous opportunity for all our exporters, and for many who have not yet started to sell their goods overseas. But it will also mean that the goods that we buy from abroad will be dearer, and so for many of these goods it will be cheaper to buy British.

He predicted that as imports became more expensive, so 'industrial production will go up', and there would be 'more work' and 'more jobs in the development areas'. Prices would be higher, and there would be harsh cuts in public spending, but there was no reason for despair:

Devaluation has been a hard decision, and some of its consequences will themselves be hard for a time. But now the decision has been taken, all of us, together, must now make a success of it. We must take with both hands the opportunity that has now been presented to us . . .

As I have said, we have the chance now to break out from the strait-jacket of these past years.

We are on our own now.

It means — Britain first.⁶¹

When Wilson's final words had died away there was 'a long, long silence' in the Windsor Castle sitting room. Finally the Queen said, almost under her breath: 'Of course it's extraordinarily difficult to make that kind of speech.' Crossman began to make a 'a polite noise', but before he could finish Patrick Gordon Walker boomed in enthusiastically: 'Oh, a wonderful performance.' She could not say 'yes', recorded Crossman, so 'I got her on to foot-and-mouth disease.'⁶²

The Prime Minister's jaunty tone had not been put on for the occasion. It was classic Wilson, the same 'interminable self-defeating optimism' that Crossman regularly bemoaned and that Castle had warned 'could be fatal' just a few weeks earlier.⁶³ Unfortunately, he had badly misjudged his audience. Having argued for years that devaluation would be a severe blow to the ordinary British consumer, Wilson now seemed to be arguing that it was a great national victory. His denial that 'the pound here in Britain, in your pocket or purse or in your bank, has been devalued' sounded like the twisting evasion of a glib, dishonest politician, and laid him open to mockery as the man who had managed to devalue sterling without devaluing 'the pound in your pocket'. His allies were horrified: Barbara Castle noted 'a feeling abroad that he was too complacent by half', while Crossman thought that he had been 'a bloody fool'.⁶⁴

Wilson himself was bewildered by the hostile reaction. In later years he tried to argue that it had not been his fault, that the optimistic phrases had been suggested by Crossman or the civil service, and that his words had been twisted by the newspapers and the Conservatives. But, as Pimlott notes, this missed the point. The 'pound in your pocket' fiasco illustrated just how much Wilson's image had changed since 1964, and the words became a catchphrase, forever hung around his neck to illustrate his supposed slipperiness. Brown's drunken words of a week before had been right: the brutal reality was that nobody any longer believed a word he said.⁶⁵

On 27 November President de Gaulle announced his veto of Britain's bid to join the Common Market. November had been a truly horrendous month for the government, with terrible trade figures, record losses in the reserves, the collapse of Wilson's European aspirations and, above all, devaluation. According to the Gallup polls, public opinion on the rights and wrongs of devaluation was pretty evenly divided, although a slight majority agreed with the Conservative leader Edward Heath that it had been a 'defeat for Britain'. Almost nine voters out of ten expected the cost of living to rise, and four out of ten planned to cut down on their personal spending. Nearly two in ten would be spending less at Christmas; one in ten said that they were giving up their plans to buy a new car, and a similar proportion claimed that they were abandoning plans for a foreign holiday or purchases for the home.⁶⁶ Labour's standing in the opinion polls, already perilous, now reached depths unknown since polling began. In December 1967 only 21 per cent of the electorate approved of the government's record, while no fewer than 64 per cent expressed disapproval. The Conservatives, who had been

eight points ahead in October, now found themselves an enormous 18.5 per cent clear of their rivals.⁶⁷

Few people shared Wilson's confidence that they could 'break out of the straitjacket': most expected a grim, tough slog. But Wilson's irrepressible spirit kept him upright, and almost alone among his ministers, he still believed that he could turn things around. 'I can do whatever I like now,' he remarked to James Margach of the *Sunday Times*. 'Don't you see, devaluation has made me the most powerful Prime Minister since Walpole.'⁶⁸ In a reassuring note to Wilson's father, his faithful secretary reflected his optimism. 'It has been a very bad week for the PM,' Marcia Williams wrote. 'It is bad enough to fight the enemy in front, but when you have to look over your shoulder the whole time as well, as you can guess, this is very tiring and bad for the nerves . . . However, I think everything is now under control, though it is going to be hard going for some time.'⁶⁹